



Annual Draft Budget [EC442]

Prepared in terms of the Local Government: Municipal Finance Management Act (56/2003): Municipal Budget and Reporting Regulations, Government Gazette 32141, 17 May 2009.

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Glossary

Annual Budget – means an approved budget for one year. It does not include published forward estimates or projections for period beyond the budget period.

Adjustments Budget – Prescribed in section 28 of the MFMA. The formal means by which a municipality may revise its annual budget during the year.

Allocations – Money received from Provincial or National Government or other municipalities.

AFS- Annual Financial Statements

Assessment Rates - Local Government tax based on the assessed value of a property. To determine the rates payable, the assessed ratable value is multiplied by the rate in the rand.

Budget – The financial plan of the Municipality.

Budget Related Policy – Policy of a municipality affecting or affected by the budget, examples include tariff policy, rates policy and credit control policy.

Capital Expenditure - Spending on assets such as land, buildings and machinery. Any capital expenditure must be reflected as an asset on the Municipality's Statement of Financial Performance.

CRR – Capital Replacement Reserve. A cash reserve set aside for future capital expenditure.

Cash Flow Statement – A statement showing when actual cash will be received and spent by the Municipality. Cash payments do not always coincide with budgeted expenditure timings. For example, when an invoice is received by the Municipality it is shown as expenditure in the month it is received, even though it may not be paid in the same period.

CFO - Chief Financial Officer

DORA – Division of Revenue Act. Annual legislation that shows the total allocations made by National to Provincial and local government.

Equitable Share – A general grant paid to municipalities. It is predominantly targeted to help with free basic services.

EPWP – Expanded Public works.

Fruitless and wasteful expenditure – Expenditure that was made in vain and would have been avoided had reasonable care been exercised.

GIS – Geographic Information System.

GFS – Government Finance Statistics. An internationally recognised classification system that facilitates like for like comparison between municipalities.

GRAP – Generally Recognized Accounting Practice. The new standard for municipal accounting and basis upon which AFS are prepared.

IDP – Integrated Development Plan. The main strategic planning document of the Municipality

KPI's – Key Performance Indicators. Measures of service output and/or outcome.

MEC – Minister in Executive Committee (Province).

MFMA – The Municipal Finance Management Act – No. 53 of 2003. The principle piece of legislation relating to municipal financial management.

MTREF – Medium Term Revenue and Expenditure Framework. A medium term financial plan, usually 3 years, based on a fixed first year and indicative further two years budget allocations. Also includes details of the previous three years and current years' financial position.

MPAC – Municipal Public Accounts Committee.

NERSA – National Electricity Regulator of South Africa.

NT – National Treasury.

PT – Provincial Treasury

DM – District Municipality

NDPG – Neighbourhood Development Framework Grant.

Net Assets – Net assets are the residual interest in the assets of the entity after deducting all its liabilities. This means the net assets of the municipality equates to the "net wealth" of the municipality, after all assets were sold/recovered and all liabilities paid. Transactions which do not meet the definition of Revenue or Expenses, such as increases in values of Property, Plant and Equipment where there is no inflow or outflow of resources are accounted for in Net Assets.

Operating Expenditure – Spending on the day to day expenses of the Municipality such as salaries and wages.

R&M – Repairs and maintenance on property, plant and equipment.

SDBIP – Service Delivery and Budget Implementation Plan. A detailed plan comprising quarterly performance targets and monthly budget estimates

Strategic Objectives – The main priorities of the Municipality as set out in the IDP. Budgeted spending must contribute towards the achievement of the strategic objectives.

SCM – Supply Chain Management.

Unauthorised expenditure – Generally, **is spending** without, or in excess of, an approved budget.

Virement – A transfer of budget.

Virement Policy - The policy that sets out the rules for budget transfers. Virements are normally allowed within a vote. Transfers between votes must be agreed by Council through an Adjustments Budget.

Vote – One of the main segments into which a budget is divided. In Umzimvubu Municipality this means at department level.

PART 1 – MAYORS SPEECH – ANNUAL BUDGET

Mr Speaker
EXCO Members
Chief Whip & Whippers
Councillors
Management & Staff
Media Coops
Members of the Public in the gallery
Ladies and Gentlemen

I am bringing you warm greetings from the collective of the Executive Committee, over which I am privileged to preside. Outlining the guiding principles and objectives of the new entity, the African Union, former President Mbeki had this to say:

“... The first task is to achieve unity, solidarity, cohesion, cooperation among the people of Africa and African states. We must build all the institutions necessary to deepen political, economic and social integration of the African Continent. We must deepen the culture of collective action in Africa and in our relations with the rest of the world.”

Mr Speaker, over the last few days a number of significant developments have taken place in the political and government landscape of our country. In this regard I would like to refer to a few of these latest developments. All these activities and programmes of our young democracy seek to confirm that South Africa is making a significant progress in terms of deepening democracy and the culture of human rights. Consistent with our resolve of ensuring compliance with the dictates and imperatives of legislation will have to embark on an IDP/Budget Roadshow for the 2017/2018 Financial Year in each of the 27 Wards of the Umzimvubu Municipality.

In this regard section 24(1) of the Municipal Finance Management Act NO. 56 of 2003 requires that we must table the Municipal Budget to Council for approve on or before 28 March 2017. It is for reason that I am pleased that today we are tabling the final budget for 2017/2018 Financial Year.

I am confident that working together with our community we can move South Africa forward.

However, it is a fact and not an opinion that the community needs often far exceed the resources at our disposal. It was for this reason that we had to embark on such an extensive outreach programme so that working together with our community in moving South Africa forward we can build a better life for all by doing a breakdown and needs analysis within available resources. In accordance with our old tradition and in pursuance of our IDP the greater chunk of our revenue goes to infrastructural development projects.

In pushing back the frontiers of poverty and broadening access to the economic services we have set aside a sum of R2 million for the Economic Infrastructure. It is through this vote that we will do paving at the Phuthi Car Wash and Restaurant as well as the Ntentyana Picnic Facility. **Mr Speaker, on behalf of the Executive Committee I am going to table to Council for approval the draft Integrated Development Plan (IDP), Tariff Structure and Draft Budget for the 2017/2018**

In terms of the 2017/2018 Financial Year, I must say that the IDP and Budget remain our statement of commitment to fight poverty and build a better life for our communities to the best of our ability. The Accounting Officer and or the CFO will give full details, however, I must quickly make the following highlights:

PERSONNEL	R85,3 m
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SP EVENTS AND PROGRAMMES	R700 000
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EXCO OUTREACH PROGRAMME

R 1m

Guided by the principle of the enhancement of community participation we have set aside a sum of R1, 000 000 for purposes of holding community meetings in the form of IDP and Budget Imbizo.

INDIGENT SUPPORT and FREE BASIC SERVICES

R4 700 000

We have increased the Indigent Support from R1, 700 000 in 2016/2017 to R1 700 000 (R1 million) in the next financial year so that we can subsidise the rate payers and residents who cannot afford to pay for the services rendered by the municipality. A sum of R3 million has been set aside for this purpose so that the poorest of the poor can now say “...today is better than yesterday and tomorrow will be better than today.”

CLEANING SERVICES

R300 000. 00

A sum of R300 000 has been set aside for the purchase of cleaning material and utensils in order to maintain a healthy and inspiring work environment.

LEGAL FEES

R1 200 000. 00

A sum of R1,2 million will be utilised for professional costs in respect of legal matters the municipality may itself involved in.

SMME DEVELOPMENT

R1 830 000. 00

In expanding our economic development initiatives we want to develop the small enterprises and we will do this at a cost of R1 830 000. 00

FINANCIAL MANAGEMENT GRANT (FMG)

R1 700 000. 00

Mr Speaker and colleagues, I am sure you will agree with me that the Municipal Financial Viability and Management is one of the Key Performance Areas for all municipalities, as provided for by the National Department of Co-operative Governance and Traditional Affairs.

WASTE MANAGEMENT

R3 020 000. 00

We have budgeted R3 million so that we are able to remain compliant with the imperatives of the National Environmental Management Act.

EXPANDED PUBLIC WORKS PROGRAMME

R6 511 000. 00

It is through this programme that we continue to create job opportunities for our communities. Accordingly, we have set aside R5, 5 million for this programme.

Mr Speaker, Councillors, Ladies and Gentlemen it is my privilege that I am presenting to Council the 2017/2018 Budget whose major sources can be summarised as follows:

BUDGETED INCOME FOR 2017/18 FINANCIAL YEAR

Grants and Subsidies: Operational

Equitable Share	175 236 000
Finance Management Grant	1 700 000
EPWP	2 537 000
Other Grants(Dedea, Small towns, LED etc)	250 000

Grants and Subsidies: Capital

MIG	47 190 000
Integrated Electrification	33 000 000
Other Grants	

TOTAL GRANTS AND SUBSIDIES

259 913 000

OWN REVENUE (PRIMARY INCOME)**Primary Income (Own Revenue)**

Property Rates	15 000 000
Refuse Removal	2 200 000

Secondary (Own Revenue)

Traffic Fines	2 000 000
Drivers & Learners Licenses	2 500 000
Vehicle Registration	2 015 900
Vehicle testing station	160 000
Interest on Current Account	500 000
Interest on Investments	4 240 000
Operating Investment	22 100 000
Other (Pound Fees, Rental of Building and Hall, Building Plans, Trading licences, Proceeds on sale of assets, VAT, Towing Fees, etc.)	22 201 253

Total Own Revenue**72 917 153**

Capital Replacement Reserves

56 000 000

Total Revenue**388 830 153****BUDGET EXPENDITURE FOR 2017/2018 FINANCIAL YEAR**

Personnel Expenditure	68 969 997
Councillors and Traditional Leaders Allowances	16 395 829
Operating Expenditure	151 928 364
Grants & Subsidies	5 000 000
Repairs & Maintenance	6 768 250
Capital Expenditure	139 538 720

TOTAL OPERATING & CAPITAL EXPENDITURE**388 601 161**

Mr Speaker and Colleagues, our Capital Allocation per Department is as follows:

Budget & Treasury	95 068 483
Council	26 988 206
Corporate Services	24 576 846
Infrastructure	148 542 581
Municipal Manager	12 373 572
Local Economic Development	17 576 014
SP & Communication	12 359 544
Waste Management Services	22 074 876
Community and Social Services	4 630 593
Traffic Management Services	24 410 447

Total**388 601 161**

It is important to note that this would not have been achieved without the express approval of the Department of Rural Development and Land Reform, the official custodians of land in the Republic, under the new and current administration. Accordingly, the said department has now assigned all powers and duties to the Department of Public Works for the exchange of Erf 209, Mt Frere for an appropriate portion of Erf 351, Mt Frere. This exchange now enables the relocation of the said property(s) for the sole purpose of constructing the much-needed bus and taxi rank. We, the Umzimvubu Local Municipality, have played our part in full and are now handing over the baton to the Consortium to implement the terms of reference as visualised in their concept document.

I take this opportunity to wish them all of the best.

With those few words I thank you very much.

Section 2 – Budget Related Resolutions

The Resolutions approved by Council with the final adoption of the annual draft budget in 28 March 2017 are:-

RESOLVED:-

[a] That the annual draft budget of Umzimvubu Local Municipality for the financial year 2017/2018; and indicative for the two projected years 2018/19 and 2019/20

1.1 **Table A2:** Budgeted Financial Performance (Expenditure by standard classification)

1.2 **Table A3:** Budgeted Financial Performance (expenditure by municipal vote)

1.3 **Table A4:** Budgeted Financial Performance (revenue by source)

1.4 **Table A5:** Budgeted Capital Expenditure for both multi-year and single year by vote, standard classification and funding

1.5 **Table A6:** Budgeted Financial Position

1.6 **Table A7:** Budgeted Cash Flows

1.7 **Table A8:** Cash backed Reserves

1.8 **Table A9:** Asset Management

[b] Tariffs and charges reflected in **Annexure 3** are approved for the financial year 2017/2018

[c] Council notes the draft budget comments from Provincial Treasury as reflected in **Annexure 4**

[d] The budget related policies as reflected in **Annexure 5** are approved for budget year 2017/18

[e] The demand management plan as reflected in **Annexure 6** is approved for budget year 2017/18

Section 3 - Executive Summary

The Municipal Finance Management Act (MFMA) require that the council must at least 90 days before the start of the budget year consider the approval of the annual draft budget, but however Circular 72 was issued as advisor to municipalities.

Most of the requirements of the MFMA concerning the budget content and documentation are in place for this budget process and were incorporated into this budget document. Major requirements of the MFMA include:

- 1) the budget must set out 'realistically anticipated revenues' for the year by each revenue source;
- 2) the budget must be generally divided between capital and operating expenditures and each must be set out by 'vote';
- 3) expenditures can only be funded by 'realistic' revenues, surplus cash carried forward and not committed to any other expenditure or borrowed funds (borrowed funds can only be used to fund capital projects).

There are many other format requirements for the budget that are too numerous to mention here, however, a complete listing can be found in section 17 of the MFMA.

The preparation of this budget document evolved the making of critical policy decisions and key strategies and policy directions that were given by the Executive Committee over the past months. A 'baseline' budgets was developed in consultation with the Executive and formed the basis for operating budget discussions. These were given to the Managers to review and revise within given guidelines. These revised baseline budgets returned by the managers then formed the basis for the draft budget which is now which will be approved by the end of March 2016

The financial policies used to develop this budget are focused on making Umzimvubu is financially sustainable in the long run. We must not only have sufficient cash available to pay all the creditors that we owe as required by the MFMA but also to allow for a cash reserve to even out sporadic cash flows during the operating year.

Operational Revenues are anticipated to reach R 388,8 million (including currently known grants received for operational expenditures)

The Capital Budget is funded from a blend of conditional grants, limited own funds and cash arried forward from prior years. Capital expenditures for 2017/18 are estimated to total R139 Million for a variety of projects and purchases.

In preparing the budget many issues emerged that had to be taken into account. Several assumptions were utilized to produce estimates and forecasts. In addition, many policy decisions were incorporated into this budget document. The following list attempts to give the most significant of these.

Operating Revenues

- Revenues are shown on a 'billed' (or accrual) basis where applicable. In many cases revenue billed is much higher than cash actually collected on that billing. An offsetting bad debt expense is also included to cover other services as a single amount and a separate amount to cover waste or refuse. This expense must be considered in any revenue discussion. Allocations for bad debt include the following amounts.

- Rates and other services R15,000,000

- Rates and tariffs in most cases contain proposed increases.
 - Rates 6% increase
 - Refuse Collection 6% increase
- The Equitable Share Allocation from the National Treasury is R176 million.

Operating Expenditures

- Employee salaries and related expenses are increased by the level indicated by correspondence from SALGA and CPIX. This amount to a 7% increase in 2017/18. In addition, all positions are budgeted to be filled for the entire year. Council allowances are also budgeted to increase by 7% .The salary bill makes up 26% excluding councilors of the Operating budget. The vacancy rate is low and also turnaround time for filling vacant position is good, and there were four new positions which have been budgeted in this draft which were from the organogram.
- An amount of R 1,000,000 has been allocated in the operating budget for normal street maintenance and repairs.
- Grants and subsidies paid by the municipality in terms of Free Basic Services and Local Economic Development initiatives and other organizations amounts to R 4.7 million

Capital Budget

The capital budget reflected in this document utilizes actually anticipated revenues and cash forward to fund the budgeted expenditures of R139 million. The portion includes the MIG grant (R47 million), and the other portion is financed with the equitable share.

Other items in the operating budget

There are various conditional grants/other funded items and programs included within the operating budget. Most of these items (amounting to some R4.4million) are funded by conditional grants that specify exactly what the money can be expended on.

Effect of the annual budget

The annual budget for 2017/18 to 2019/20 is disclosed in 'Section 4: Annual budget tables' and in 'Annexure 2: Supporting budget tables'. Each of the summaries sections below is discussed in more detail later on this document

For easy reference, summary tables and graphs are included here.

Financial performance

Revenue by source

Trends for the major revenue sources over the MTREF period is shown in the chart below, and it is also an illustration that municipality's budget is mostly funded from grants.

Umzimvubu Municipality does not only maintain but also continue to improve the quality of services provided to its citizens it needs to generate the requisite revenue. Local communities must understand that the continued generation of cash via good prudent budgeting, credible income policies and sound financial management systems is critical to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty.

The municipality has no strategy in place and has appointed a debt collector, however has appointed service provider to map its strategy on the following key components:

- National Treasury's guidelines and macro-economic policy;
- Growth in the Municipality and continued economic development;
- Efficient revenue management, which strives to ensure a 65 per cent annual collection rate for property rates and other key service charges;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and Tariff policies of the Municipality

Tariff implications of the annual budget

Assessment rates

The municipal property rates are levied in different categories of consumers, and the budget has a slight increase from 2017/18 financial year, this has been informed by our collection trends or actuals for 2016/17 financial year and its midyear budget performance. This will probably increase when we do an adjustment budget as we have appointed a debt collector which is performing very well.

Waste Management

We had a 6% increase on the tariffs charged for this financial year, and we also devised other revenue mechanisms in waste management which were not implemented in the previous financial year. This still stands as the municipality is upgrading its landfill site this current financial year. We have budgeted a small increase on trading services, this is as a result of the review of the Waste Management Plan as it has to be in operation for two years. However, Circular 85 recommendations concerning this service have been taken into account and action plans have been formulated by the concerned department.

The budget as presented in this document meets the requirements of the MFMA and is presented to Council for approval.

Section 4 - Annual Budget Tables

The intention of this Section is two-fold

Firstly, the following tables form the basis of the Council resolution approving the annual budget for 2017/2018:

- Table A2: Budgeted Financial Performance (expenditure by standard classification)
- Table A4: Budgeted Financial Performance (expenditure by municipal vote)
- Table A4: Budgeted Financial Performance (revenue by source)
- Table A5: Budgeted Capital Expenditure for both multi-year and single year appropriations by vote, standard classification and funding

Secondly, this section presents and explains the various tables that must be compiled

EC442 Umzimvubu - Table A1 Budget Summary

Description	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousands										
<u>Financial Performance</u>										
Property rates	8 458	8 946	10 430	15 900	14 000	14 000	–	15 000	15 885	16 806
Service charges	1 326	1 427	2 000	2 120	1 763	1 763	–	2 200	2 330	2 465
Investment revenue	3 173	3 705	2 242	3 884	4 500	4 500	–	4 740	5 020	5 311
Transfers recognised - operational	156 962	142 203	179 115	166 508	166 569	166 569	–	179 723	190 062	201 085
Other own revenue	16 503	11 961	29 606	53 804	48 195	48 191	–	50 977	54 097	57 235
	186 422	168 241	223 394	242 216	235 027	235 023	–	252 640	267 393	282 902
Total Revenue (excluding capital transfers and contributions)										
Employee costs	45 599	50 613	53 544	61 402	61 402	61 402	–	68 970	73 039	77 276
Remuneration of councillors	13 848	14 622	17 411	18 734	18 734	18 734	–	16 396	17 363	18 370
Depreciation & asset impairment	30 206	30 757	45 705	53 000	51 400	51 400	–	51 000	51 000	53 958
Finance charges	1 915	2 545	2 000	50	50	50	–	20	20	21
Materials and bulk purchases	–	–	–	–	–	–	–	–	–	–
Transfers and grants	–	3 174	4 417	4 600	4 600	4 600	–	4 700	4 700	4 973
Other expenditure	75 215	104 222	136 642	94 043	96 113	96 113	–	112 677	119 199	125 901
Total Expenditure	166 784	205 933	259 718	231 829	232 299	232 299	–	253 762	265 322	280 499
Surplus/(Deficit)	19 639	(37 692)	(36 325)	10 387	2 728	2 723	–	(1 122)	2 071	2 403
Transfers recognised - capital	60 066	68 359	78 277	59 261	69 461	69 461	–	80 190	80 114	84 761
Contributions recognised - capital & contributed assets	–	–	–	–	–	–	–	–	–	–
	79 705	30 667	41 952	69 648	72 189	72 184	–	79 068	82 185	87 164
Surplus/(Deficit) after capital transfers & contributions										
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) for the year	79 705	30 667	41 952	69 648	72 189	72 184	–	79 068	82 185	87 164
<u>Capital expenditure & funds sources</u>										
Capital expenditure	134 029	84 593	85 903	130 517	140 717	140 717	–	141 039	77 236	81 804
Transfers recognised - capital	92 465	68 112	52 864	69 261	79 461	79 461	–	82 690	77 236	81 504
Public contributions & donations	–	–	–	–	–	–	–	–	–	–
Borrowing	50 000	–	–	–	–	–	–	–	–	–
Internally generated funds	3 656	16 481	33 039	61 256	61 256	61 256	–	60 849	–	–
Total sources of capital funds	146 121	84 593	85 903	130 517	140 717	140 717	–	143 539	77 236	81 504
<u>Financial position</u>										
Total current assets	71 504	87 366	66 639	46 952	123 626	123 626	123 626	123 626	123 626	123 626
Total non current assets	410 359	439 187	263 246	569 702	465 158	465 158	465 158	467 158	467 158	464 200
Total current liabilities	34 742	43 267	33 055	26 438	20 743	9 446	9 446	9 446	9 446	9 446
Total non current liabilities	53 037	7 001	21 466	20 841	11 021	11 021	11 021	11 021	11 021	11 021
Community wealth/Equity	394 084	476 284	275 364	569 376	557 019	568 316	568 316	570 316	570 316	567 358

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Cash flows										
Net cash from (used) operating	73 881	90 264	113 208	122 538	122 538	122 538	–	130 153	120 111	122 014
Net cash from (used) investing	(130 503)	(83 617)	(83 703)	(129 177)	(139 377)	(139 377)	–	(118 200)	(140 874)	(147 182)
Net cash from (used) financing	49 651	(23 872)	(25 000)	–	–	–	–	–	–	–
Cash/cash equivalents at the year end	42 477	25 251	46 982	18 611	29 380	29 380	–	58 173	37 410	12 242
Cash backing/surplus reconciliation										
Cash and investments available	49 511	67 727	63 706	34 085	99 274	99 274	99 274	99 274	99 274	99 274
Application of cash and investments	6 843	(4 088)	13 174	5 392	(2 784)	(14 079)	9 365	(12 393)	(4 989)	(4 896)
Balance - surplus (shortfall)	42 668	71 816	50 532	28 693	102 058	113 353	89 909	111 667	104 263	104 170
Asset management										
Asset register summary (WDV)	410 342	439 187	349 150	258 584	21 863	21 863	21 863	21 863	21 863	21 863
Depreciation & asset impairment	30 206	30 757	45 705	53 000	51 400	51 400	51 000	51 000	51 000	53 958
Renewal of Existing Assets	–	–	–	91 873	91 873	91 873	91 873	102 302	37 985	72 016
Repairs and Maintenance	2 323	1 936	5 007	4 171	2 201	2 201	–	–	–	–
Free services										
Cost of Free Basic Services provided	–	–	–	–	–	–	–	–	–	–
Revenue cost of free services provided	15	15	15	15	15	15	15	15	15	15
Households below minimum service level										
Water:	24	24	–	24	24	24	24	24	24	24
Sanitation/sewerage:	28	28	–	28	28	28	28	28	28	28
Energy:	–	3	–	4 161	4 161	6	6	6	6	6
Refuse:	184	232	–	226	226	226	226	226	226	226

EC442 Umzimvubu - Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

Standard Classification Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand	1									
Revenue - Standard										
Governance and administration		140 367	156 491	207 238	228 374	224 821	224 821	238 229	252 284	266 917
Executive and council		152	440	413	438	438	438	452	478	506
Budget and treasury office		140 037	155 971	206 668	227 815	224 263	224 263	237 677	251 700	266 299
Corporate services		177	81	156	121	121	121	100	106	112
Community and public safety		11 758	5 974	4 058	10 442	5 837	5 837	7 538	7 983	8 446
Community and social services		1 868	220	321	341	147	147	230	244	258
Sport and recreation		–	–	–	–	–	–	–	–	–
Public safety		9 890	5 753	3 737	10 102	5 689	5 689	7 308	7 739	8 188
Housing		–	–	–	–	–	–	–	–	–
Health		–	–	–	–	–	–	–	–	–
Economic and environmental services		86 067	70 451	81 890	61 347	63 138	63 138	82 076	82 112	86 874
Planning and development		1 788	838	2 831	714	162	162	334	354	375
Road transport		84 279	69 613	79 059	60 633	62 977	62 977	81 742	81 757	86 499
Environmental protection		–	–	–	–	–	–	–	–	–
Trading services		8 297	3 684	8 485	4 011	3 715	3 715	4 987	5 016	5 307
Electricity		–	–	–	–	–	–	–	–	–
Water		–	–	–	–	–	–	–	–	–
Waste water management		–	–	–	–	–	–	–	–	–
Waste management		8 297	3 684	8 485	4 011	3 715	3 715	4 987	5 016	5 307
Other	4	–	–	–	–	–	–	–	–	–
Total Revenue - Standard	2	246 488	236 600	301 671	304 174	297 511	297 511	332 830	347 395	367 544
Expenditure - Standard										
Governance and administration		105 677	142 285	171 327	160 087	160 103	160 103	165 410	167 526	175 307
Executive and council		37 552	38 866	46 892	50 508	50 355	50 355	51 721	54 773	57 950
Budget and treasury office		53 150	87 000	105 939	90 288	89 735	89 735	91 918	89 698	92 965
Corporate services		14 975	16 419	18 496	19 291	20 013	20 013	21 770	23 055	24 392
Community and public safety		21 219	20 423	18 591	22 645	22 863	22 863	26 791	28 372	30 017
Community and social services		6 580	3 039	3 112	4 019	4 288	4 288	4 631	4 904	5 188
Sport and recreation		–	–	–	–	–	–	–	–	–
Public safety		14 638	17 383	15 480	18 626	18 576	18 576	22 160	23 468	24 829
Housing		–	–	–	–	–	–	–	–	–

Health		-	-	-	-	-	-	-	-	-
Economic and environmental services		27 619	28 146	56 055	34 612	34 635	34 635	36 316	38 459	40 690
Planning and development		9 633	11 473	15 682	16 718	14 340	14 340	15 076	15 965	16 891
Road transport		17 986	16 673	40 373	17 894	20 295	20 295	21 240	22 493	23 798
Environmental protection		-	-	-	-	-	-	-	-	-
Trading services		12 297	15 079	13 745	14 591	15 345	15 345	20 695	21 916	23 187
Electricity		-	-	-	-	-	-	-	-	-
Water		-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-
Waste management		12 297	15 079	13 745	14 591	15 345	15 345	20 695	21 916	23 187
Other	4	-	-	-	-	-	-	-	-	-
Total Expenditure - Standard	3	166 811	205 933	259 718	231 935	232 946	232 946	249 212	256 273	269 200
Surplus/(Deficit) for the year		79 677	30 667	41 952	72 239	64 565	64 565	83 618	91 122	98 344

Table A3 – Budgeted Financial Performance (revenue and expenditure by municipal vote)

EC442 Umzimvubu - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Revenue by Vote	1									
Vote 1 - Executive and Council		152	440	413	438	438	438	452	478	506
Vote 2 - Budget & Treasury Office		140 037	155 971	206 668	227 482	224 263	224 263	237 677	251 700	266
Vote 3 - Corporate Services		177	81	156	121	121	121	100	106	112
Vote 4 - Local Economic Development		1 788	838	2 831	714	162	162	334	354	375
Vote 5 - Infrastructure and Planning		84 279	69 613	79 059	60 633	62 977	62 977	81 742	81 757	86 499
Vote 6 - Community and Social Services		1 868	220	321	341	147	147	230	244	258
Vote 7 - Public Safety		9 890	5 753	3 737	10 102	5 689	5 689	7 308	7 739	8 188
Vote 8 - Waste Management		8 297	3 684	8 485	4 011	3 715	3 715	4 987	5 016	5 307
Total Revenue by Vote	2	246 488	236 600	301 671	303 841	297 511	297 511	332 830	347 395	367 544
Expenditure by Vote to be appropriated	1									
Vote 1 - Executive and Council		37 525	38 866	47 357	50 508	50 055	50 055	51 571	54 614	57 782
Vote 2 - Budget & Treasury Office		53 150	87 000	105 474	89 955	89 735	89 735	91 918	89 698	92 965
Vote 3 - Corporate Services		14 975	16 419	18 496	19 291	20 013	20 013	21 770	23 055	24 392
Vote 4 - Local Economic Development		9 633	11 473	15 682	16 718	14 340	14 340	15 076	15 965	16 891
Vote 5 - Infrastructure and Planning		17 986	16 673	40 373	17 894	20 295	20 295	21 240	22 493	23 798
Vote 6 - Community and Social Services		6 580	3 039	3 112	4 019	4 288	4 288	4 631	4 904	5 188
Vote 7 - Public Safety		14 638	17 383	15 480	18 626	18 576	18 576	22 160	23 468	24 829
Vote 8 - Waste Management		12 297	15 079	13 745	14 591	15 345	15 345	20 695	21 916	23 187
Total Expenditure by Vote	2	166 784	205 933	259 718	231 602	232 646	232 646	249 062	256 114	269 032
Surplus/(Deficit) for the year	2	79 705	30 667	41 952	72 239	64 865	64 865	83 768	91 281	98 512

Table A4 – Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand	1										
Revenue By Source											
Property rates	2	8 458	8 946	10 430	15 900	14 000	14 000	–	15 000	15 885	16 806
Property rates - penalties & collection charges											
Service charges - electricity revenue	2	–	–	–	–	–	–	–	–	–	–
Service charges - water revenue	2	–	–	–	–	–	–	–	–	–	–
Service charges - sanitation revenue	2	–	–	–	–	–	–	–	–	–	–
Service charges - refuse revenue	2	1 326	1 427	2 000	2 120	1 763	1 763	–	2 200	2 330	2 465
Service charges - other											
Rental of facilities and equipment		1 804	1 284	1 438	1 438	1 438	1 438		1 255	1 329	1 810
Interest earned - external investments		3 173	3 705	2 242	3 884	4 500	4 500		4 740	5 020	5 311
Interest earned - outstanding debtors		1 139	1 516	1 460	1 548	1 548	1 548		1 641	1 737	1 838
Dividends received		–	–								
Fines		7 011	1 670	4 242	4 497	500	500		2 000	2 118	2 241
Licences and permits		2 681	2 381	2 500	3 225	2 500	2 500		2 500	2 648	2 801
Agency services		1 393	1 400	1 315	1 818	2 050	2 050		2 176	2 304	2 438
Transfers recognised - operational		156 962	142 203	179 115	166 508	166 569	166 569		179 723	190 062	201 085
Other revenue	2	2 078	3 199	17 551	39 939	38 820	38 816	–	40 005	42 478	44 538
Gains on disposal of PPE		397	510	1 100	1 339	1 339	1 339		1 400	1 483	1 569
Total Revenue (excluding capital transfers and contributions)		186 422	168 241	223 394	242 216	235 027	235 023	–	252 640	267 393	282 902
Expenditure By Type											
Employee related costs	2	45 599	50 613	53 544	61 402	61 402	61 402	–	68 970	73 039	77 276
Remuneration of councillors		13 848	14 622	17 411	18 734	18 734	18 734		16 396	17 363	18 370
Debt impairment	3	3 928	6 732	30 000	5 300	6 500	6 500		5 000	5 000	5 290
Depreciation & asset impairment	2	30 206	30 757	45 705	53 000	51 400	51 400	–	51 000	51 000	53 958
Finance charges		1 915	2 545	2 000	50	50	50		20	20	21
Bulk purchases	2	–	–	–	–	–	–	–	–	–	–
Other materials	8										
Contracted services		5 646	7 341	16 623	10 119	10 989	10 989	–	13 407	14 368	14 990
Transfers and grants		–	3 174	4 417	4 600	4 600	4 600	–	4 700	4 700	4 973
Other expenditure	4, 5	65 317	66 546	90 018	78 624	78 624	78 624	–	94 269	99 831	105 621
Loss on disposal of PPE		325	23 603						–		
Total Expenditure		166 784	205 933	259 718	231 829	232 299	232 299	–	253 762	265 322	280 499
Surplus/(Deficit)		19 639	(37 692)	(36 325)	10 387	2 728	2 723	–	(1 122)	2 071	2 403
Transfers recognised - capital		60 066	68 359	78 277	59 261	69 461	69 461		80 190	80 114	84 761
Contributions recognised - capital		–	–	–	–	–	–	–	–	–	–
Contributed assets											
		79 705	30 667	41 952	69 648	72 189	72 184	–	79 068	82 185	87 164
Surplus/(Deficit) after capital transfers & contributions											
Taxation											
Surplus/(Deficit) after taxation		79 705	30 667	41 952	69 648	72 189	72 184	–	79 068	82 185	87 164
Attributable to minorities											
Surplus/(Deficit) attributable to municipality		79 705	30 667	41 952	69 648	72 189	72 184	–	79 068	82 185	87 164
Share of surplus/ (deficit) of associate	7										
Surplus/(Deficit) for the year		79 705	30 667	41 952	69 648	72 189	72 184	–	79 068	82 185	87 164

Table A5 – Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand	1										
Capital expenditure - Vote											
Multi-year expenditure to be appropriated	2										
Vote 1 - Executive and Council		-	-	-	-	-	-	-	-	-	-
Vote 2 - Budget & Treasury Office		-	-	-	-	-	-	-	-	-	-
Vote 3 - Corporate Services		-	-	-	-	-	-	-	-	-	-
Vote 4 - Local Economic Development		-	-	-	-	-	-	-	-	-	-
Vote 5 - Infrastructure and Planning		-	-	-	116 873	127 073	127 073	-	129 802	65 337	69 215
Vote 6 - Community and Social Services		-	-	-	850	850	850	-	-	-	-
Vote 7 - Public Safety		-	-	-	-	-	-	-	-	-	-
Vote 8 - Waste Management		-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	7	-	-	-	117 723	127 923	127 923	-	129 802	65 337	69 215
Single-year expenditure to be appropriated	2										
Vote 1 - Executive and Council		-	-	753	583	583	583	-	150	159	168
Vote 2 - Budget & Treasury Office		3 596	-	1 800	3 700	3 700	3 700	-	2 150	2 277	2 409
Vote 3 - Corporate Services		552	491	393	2 000	2 000	2 000	-	2 806	2 972	3 144
Vote 4 - Local Economic Development		832	426	1 100	1 050	1 050	1 050	-	2 500	2 648	2 801
Vote 5 - Infrastructure and Planning		99 501	71 283	76 263	-	-	-	-	-	-	-
Vote 6 - Community and Social Services		8 896	2 354	32	-	-	-	-	-	-	-
Vote 7 - Public Safety		-	-	1 750	2 334	2 334	2 334	-	2 250	2 383	2 521
Vote 8 - Waste Management		-	-	1 693	3 127	3 127	3 127	-	1 380	1 461	1 546
Capital single-year expenditure sub-total		113 377	74 553	83 783	12 794	12 794	12 794	-	11 236	11 899	12 589
Total Capital Expenditure - Vote		113 377	74 553	83 783	130 517	140 717	140 717	-	141 039	77 236	81 804
Capital Expenditure - Standard											
Governance and administration		491	393	4 488	7 133	7 133	7 133	-	5 106	5 408	5 721
Executive and council				123	583	583	583		150	159	168
Budget and treasury office				1 800	3 700	3 700	3 700		2 150	2 277	2 409
Corporate services		491	393	2 566	2 850	2 850	2 850		2 806	2 972	3 144
Community and public safety		25 868	8 896	4 104	2 334	2 334	2 334	-	2 250	2 383	2 521
Community and social services		25 868	8 896	2 354					-	-	-
Sport and recreation									-	-	-
Public safety				1 750	2 334	2 334	2 334		2 250	2 383	2 521
Housing									-	-	-
Health									-	-	-
Economic and environmental services		100 333	71 709	76 610	117 923	128 123	128 123	-	132 302	67 985	72 016
Planning and development		832	426	1 100	1 050	1 050	1 050		2 500	2 648	2 801
Road transport		99 501	71 283	75 510	116 873	127 073	127 073		129 802	65 337	69 215
Environmental protection									-	-	-
Trading services		-	-	700	3 127	3 127	3 127	-	1 380	1 461	1 546
Electricity											
Water											
Waste water management											
Waste management				700	3 127	3 127	3 127		1 380	1 461	1 546
Other		7 337	3 596								
Total Capital Expenditure - Standard	3	134 029	84 593	85 903	130 517	140 717	140 717	-	141 039	77 236	81 804
Funded by:											
National Government		80 373	68 112	52 864	69 261	79 461	79 461		82 690	77 236	81 504
Provincial Government		12 092									
District Municipality											
Other transfers and grants											
Transfers recognised - capital	4	92 465	68 112	52 864	69 261	79 461	79 461	-	82 690	77 236	81 504
Public contributions & donations	5										
Borrowing	6	50 000									
Internally generated funds		3 656	16 481	33 039	61 256	61 256	61 256		58 349	0	300

Total Capital Funding	7	146 121	84 593	85 903	130 517	140 717	140 717	–	141 039	77 236	81 804
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Table A6 – Budgeted Financial Position

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
ASSETS											
Current assets											
Cash			25 251	32 235	2 614	3 124	3 124	3 124	3 124	3 124	3 124
Call investment deposits	1	49 511	42 476	31 471	31 471	96 150	96 150	96 150	96 150	96 150	96 150
Consumer debtors	1	4 263	–	931	931	–	–	–	–	–	–
Other debtors		17 230	19 221	1 437	11 518	23 579	23 579	23 579	23 579	23 579	23 579
Current portion of long-term receivables		121	90	113	90	80	80	80	80	80	80
Inventory	2	378	328	452	329	693	693	693	693	693	693
Total current assets		71 504	87 366	66 639	46 952	123 626	123 626	123 626	123 626	123 626	123 626
Non current assets											
Long-term receivables											
Investments											
Investment property		20 412	20 412	29 922	20 412	19 962	19 962	19 962	19 962	19 962	19 962
Investment in Associate											
Property, plant and equipment	3	388 551	417 605	230 935	548 121	443 277	443 277	443 277	445 277	445 277	442 319
Agricultural											
Biological											
Intangible		1 379	1 153	2 371	1 152	1 901	1 901	1 901	1 901	1 901	1 901
Other non-current assets		18	18	18	18	18	18	18	18	18	18
Total non current assets		410 359	439 187	263 246	569 702	465 158	465 158	465 158	467 158	467 158	464 200
TOTAL ASSETS		481 863	526 553	329 885	616 654	588 783	588 783	588 783	590 783	590 783	587 825
LIABILITIES											
Current liabilities											
Bank overdraft	1										
Borrowing	4	17 593	26 721	15 863	–	4	–	–	–	–	–
Consumer deposits											
Trade and other payables	4	17 015	16 387	17 119	16 387	20 658	9 365	9 365	9 365	9 365	9 365
Provisions		135	160	73	10 051	81	81	81	81	81	81
Total current liabilities		34 742	43 267	33 055	26 438	20 743	9 446	9 446	9 446	9 446	9 446
Non current liabilities											
Borrowing		32 995	–	625	–	–	–	–	–	–	–
Provisions		20 042	7 001	20 841	20 841	11 021	11 021	11 021	11 021	11 021	11 021
Total non current liabilities		53 037	7 001	21 466	20 841	11 021	11 021	11 021	11 021	11 021	11 021
TOTAL LIABILITIES		87 779	50 269	54 521	47 279	31 765	20 468	20 468	20 468	20 468	20 468
NET ASSETS	5	394 084	476 284	275 364	569 376	557 019	568 316	568 316	570 316	570 316	567 358
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		88 090	476 284	23 447	120 659	557 019	568 316	568 316	570 316	570 316	567 358
Reserves	4	305 994	–	251 917	448 717	–	–	–	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY	5	394 084	476 284	275 364	569 376	557 019	568 316	568 316	570 316	570 316	567 358

Table A7 - Budgeted Cash Flows

Description	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand										
CASH FLOW FROM OPERATING ACTIVITIES										
Receipts										
Property rates, penalties & collection charges	6 557	5 679	9 676	8 866	14 999	14 999	3 536	12 720	13 458	14 238
Service charges	810	3 120	2 354	1 700	2 001	2 001	616	1 696	1 794	1 898
Other revenue	4 308	3 453	11 217	25 561	47 417	47 417	3 137	47 839	27 866	29 186
Government - operating	163 881	135 663	168 730	179 115	179 115	179 115	127 378	167 978	176 040	183 048
Government - capital	21 824	60 373	41 112	78 277	78 864	78 864	56 861	59 261	77 482	80 411
Interest	2 367	3 876	4 100	3 703	5 609	5 609	2 490	6 573	6 954	7 357
Payments										
Suppliers and employees	(105 969)	(132 673)	(138 921)	(177 597)	(184 002)	(184 002)	(14 900)	(167 964)	(177 706)	(188 013)
Finance charges	(256)	(1 915)	(4 547)	(2 000)				(50)	(53)	(56)
Transfers and Grants	(31 075)	(3 696)	(3 459)	(4 417)	(4 415)	(4 415)	(337)	(4 600)	(4 867)	(5 149)
NET CASH FROM/(USED) OPERATING ACTIVITIES	62 446	73 881	90 264	113 208	139 588	139 588	178 782	123 453	120 969	122 922
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Proceeds on disposal of PPE	36	3 526	976	1 100	1 100	1 100	235	1 339	1 417	1 499
Decrease (increase) in non-current investments								21 500	-	-
Payments										
Capital assets	(47 275)	(134 029)	(84 593)	(84 803)	(108 849)	(108 849)	(21 396)	(130 517)	(142 290)	(148 681)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(47 239)	(130 503)	(83 617)	(83 703)	(107 749)	(107 749)	(21 161)	(107 677)	(140 874)	(147 182)
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Short term loans								-	-	-
Borrowing long term/refinancing		50 000						-	-	-
Increase (decrease) in consumer deposits								-	-	-
Payments										
Repayment of borrowing	(319)	(349)	(23 872)	(25 000)	(25 000)	(25 000)	(10 894)	-	-	-
NET CASH FROM/(USED) FINANCING ACTIVITIES	(319)	49 651	(23 872)	(25 000)	(25 000)	(25 000)	(10 894)	-	-	-
NET INCREASE/ (DECREASE) IN CASH HELD	14 889	(6 971)	(17 225)	4 505	6 839	6 839	146 727	15 776	(19 905)	(24 261)
Cash/cash equivalents at the year begin:	34 559	49 447	42 476	42 476	42 476	42 476	42 476	25 251	41 027	21 122
Cash/cash equivalents at the year end:	49 447	42 477	25 251	46 982	49 315	49 315	189 203	41 027	21 122	(3 139)

Table A7 – Cash flow

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand											
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates, penalties & collection charges		5 679	9 676	8 866	12 720	12 720	12 720		12 720	13 458	14 238
Service charges		3 120	2 354	1 700	1 696	1 696	1 696		1 696	1 794	1 898
Other revenue		3 453	11 217	25 561	47 839	47 839	47 839		47 206	27 866	29 186
Government - operating	1	135 663	168 730	179 115	167 978	167 978	167 978		179 723	176 040	183 048
Government - capital	1	60 373	41 112	78 277	59 261	59 261	59 261		80 190	77 482	80 411
Interest		3 876	4 100	3 703	6 573	6 573	6 573		6 381	6 954	7 357
Dividends									-	-	-
Payments											
Suppliers and employees		(132 673)	(138 921)	(177 597)	(168 879)	(168 879)	(168 879)		(193 042)	(178 564)	(188 920)
Finance charges		(1 915)	(4 547)	(2 000)	(50)	(50)	(50)		(20)	(53)	(56)
Transfers and Grants	1	(3 696)	(3 459)	(4 417)	(4 600)	(4 600)	(4 600)		(4 700)	(4 867)	(5 149)

NET CASH FROM/(USED) OPERATING ACTIVITIES		73 881	90 264	113 208	122 538	122 538	122 538	–	130 153	120 111	122 014
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		3 526	976	1 100	1 339	1 339	1 339		1 339	1 417	1 499
Decrease (Increase) in non-current debtors									–	–	–
Decrease (increase) other non-current receivables									–	–	–
Decrease (increase) in non-current investments									21 500	–	–
Payments											
Capital assets		(134 029)	(84 593)	(84 803)	(130 517)	(140 717)	(140 717)		(141 039)	(142 290)	(148 681)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(130 503)	(83 617)	(83 703)	(129 177)	(139 377)	(139 377)	–	(118 200)	(140 874)	(147 182)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans									–	–	–
Borrowing long term/refinancing		50 000							–	–	–
Increase (decrease) in consumer deposits									–	–	–
Payments											
Repayment of borrowing		(349)	(23 872)	(25 000)					–	–	–
NET CASH FROM/(USED) FINANCING ACTIVITIES		49 651	(23 872)	(25 000)	–	–	–	–	–	–	–
NET INCREASE/ (DECREASE) IN CASH HELD		(6 971)	(17 225)	4 505	(6 640)	(16 840)	(16 840)	–	11 953	(20 763)	(25 168)
Cash/cash equivalents at the year begin:	2	49 447	42 476	42 476	25 251	46 220	46 220		46 220	58 173	37 410
Cash/cash equivalents at the year end:	2	42 477	25 251	46 982	18 611	29 380	29 380	–	58 173	37 410	12 242

Table A8 – Cash backed reserves/ accumulated surplus

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand											
Cash and investments available											
Cash/cash equivalents at the year end	1	42 477	25 251	46 982	18 611	29 380	29 380	–	58 173	37 410	12 242
Other current investments > 90 days		7 034	42 476	16 725	15 474	69 894	69 894	99 274	41 101	61 863	87 032
Non current assets - Investments	1	–	–	–	–	–	–	–	–	–	–
Cash and investments available:		49 511	67 727	63 706	34 085	99 274	99 274	99 274	99 274	99 274	99 274
Application of cash and investments											
Unspent conditional transfers		2 575	–	–	–	11 293	–	–	–	–	–
Unspent borrowing		–	–	–	–	–	–	–	–	–	–
Statutory requirements	2										
Other working capital requirements	3	4 267	(4 088)	13 174	5 392	(14 077)	(14 079)	9 365	(12 393)	(4 989)	(4 896)
Other provisions											
Long term investments committed	4	–	–	–	–	–	–	–	–	–	–
Reserves to be backed by cash/investments	5										
Total Application of cash and investments:		6 843	(4 088)	13 174	5 392	(2 784)	(14 079)	9 365	(12 393)	(4 989)	(4 896)
Surplus(shortfall)		42 668	71 816	50 532	28 693	102 058	113 353	89 909	111 667	104 263	104 170

Table A9 – Asset Management

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand										
CAPITAL EXPENDITURE										
Total New Assets	1	84 691	79 357	85 904	25 000	27 500	27 500	38 736	39 252	12 589
Infrastructure - Road transport		21 283	75 510	67 363	–	–	–	–	–	–
Infrastructure - Electricity		50 000	–	8 000	25 000	27 500	27 500	31 130	27 353	–
Infrastructure - Other		426	1 100	–	–	–	–	–	3 844	4 067
Infrastructure		71 709	76 610	75 363	25 000	27 500	27 500	31 130	31 197	4 067
Community		8 896	2 354	2 041	–	–	–	–	–	–
Other assets	6	3 596	–	8 500	–	–	–	7 606	8 055	8 522
Intangibles		491	393	–	–	–	–	–	–	–
Total Renewal of Existing Assets	2	–	–	–	91 873	91 873	91 873	102 302	37 985	72 016
Infrastructure - Road transport		–	–	–	91 873	91 873	91 873	102 302	37 985	72 016
Infrastructure - Electricity		–	–	–	–	–	–	–	–	–
Infrastructure	–	–	–	–	91 873	91 873	91 873	102 302	37 985	72 016
Total Capital Expenditure	4									
Infrastructure - Road transport		21 283	75 510	67 363	91 873	91 873	91 873	102 302	37 985	72 016
Infrastructure - Electricity		50 000	–	8 000	25 000	27 500	27 500	31 130	27 353	–
Infrastructure - Water		–	–	–	–	–	–	–	–	–
Infrastructure - Sanitation		–	–	–	–	–	–	–	–	–
Infrastructure - Other		426	1 100	–	–	–	–	–	3 844	4 067
Infrastructure		71 709	76 610	75 363	116 873	119 373	119 373	133 432	69 181	76 083
Community		8 896	2 354	2 041	–	–	–	–	–	–
Other assets		3 596	–	8 500	–	–	–	7 606	8 055	8 522
Intangibles		491	393	–	–	–	–	–	–	–
TOTAL CAPITAL EXPENDITURE - Asset class	2	84 691	79 357	85 904	116 873	119 373	119 373	141 039	77 236	84 606
ASSET REGISTER SUMMARY - PPE (WDV)	5									
Infrastructure - Road transport		255 439	306 118	316 838	249 423	496 277	496 277	496 277	496 277	496 277
Infrastructure - Electricity				–				–	–	–
Infrastructure - Other				(7 780)	(15 724)			141 039	77 236	81 804
Infrastructure		255 439	306 118	309 057	233 699	496 277	496 277	637 316	573 514	578 082
Community		85 630	65 688	(359)	12	12	12	12	12	12
Heritage assets			18	18						
Investment properties		20 412	20 412	29 922	20 412	19 962	19 962	19 962	19 962	19 962
Other assets		47 482	45 799	8 141	3 309	3 309	3 309	3 309	3 309	3 309
Intangibles		1 379	1 153	2 371	1 152	1 901	1 901	1 901	1 901	1 901
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	5	410 342	439 187	349 150	258 584	521 461	521 461	662 500	598 698	603 266
EXPENDITURE OTHER ITEMS										
Depreciation & asset impairment		30 206	30 757	45 705	53 000	51 400	51 400	51 000	51 000	53 958
Repairs and Maintenance by Asset Class		2 323	1 936	5 007	4 171	2 201	2 201	–	–	–
Infrastructure - Road transport		1 043	323	638	638	638	638	–	–	–
Infrastructure - Electricity		–	440	597	597	–	–	–	–	–
Infrastructure		1 043	763	2 235	1 235	638	638	–	–	–
Community		473	77	1 035	873	–	–	–	–	–
Other assets	6, 7	807	1 096	1 737	2 063	1 563	1 563	–	–	–
TOTAL EXPENDITURE OTHER ITEMS		32 529	32 693	50 712	57 171	53 601	53 601	51 000	51 000	53 958
Renewal of Existing Assets as % of total capex		0.0%	0.0%	0.0%	78.6%	77.0%	77.0%	72.5%	49.2%	85.1%
Renewal of Existing Assets as % of deprecn		0.0%	0.0%	0.0%	173.3%	178.7%	178.7%	200.6%	74.5%	133.5%

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R&M as a % of PPE		0.6%	0.5%	2.2%	0.8%	0.5%	0.5%	0.0%	0.0%	0.0%
Renewal and R&M as a % of PPE		1.0%	0.0%	1.0%	37.0%	18.0%	18.0%	15.0%	6.0%	12.0%

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Household service targets	1									
Water:										
Piped water inside dwelling		22 000	22 000	–	22 000	22 000	22 000	22 000	22 000	22 000
Piped water inside yard (but not in dwelling)		6 000	6 000	–	6 000	6 000	6 000	6 000	6 000	6 000
Using public tap (at least min.service level)	2	7 000	7 000	–	7 000	7 000	7 000	7 000	7 000	7 000
Other water supply (at least min.service level)	4	–	–	–	–	–	–	–	–	–
Minimum Service Level and Above sub-total		35 000	35 000	–	35 000	35 000	35 000	35 000	35 000	35 000
Using public tap (< min.service level)	3	–	–	–	–	–	–	–	–	–
Other water supply (< min.service level)	4	12 000	12 000	–	12 000	12 000	12 000	12 000	12 000	12 000
No water supply		12 000	12 000	–	12 000	12 000	12 000	12 000	12 000	12 000
Below Minimum Service Level sub-total		24 000	24 000	–	24 000	24 000	24 000	24 000	24 000	24 000
Total number of households	5	59 000	59 000	–	59 000	59 000	59 000	59 000	59 000	59 000
Sanitation/sewerage:										
Flush toilet (connected to sewerage)		–	–	–	–	–	–	–	–	–
Flush toilet (with septic tank)		19 000	19 000	–	19 000	19 000	19 000	19 000	19 000	19 000
Chemical toilet		–	–	–	–	–	–	–	–	–
Pit toilet (ventilated)		–	–	–	–	–	–	–	–	–
Other toilet provisions (> min.service level)		–	–	–	–	–	–	–	–	–
Minimum Service Level and Above sub-total		19 000	19 000	–	19 000	19 000	19 000	19 000	19 000	19 000
Bucket toilet		27 000	27 000	–	27 000	27 000	27 000	27 000	27 000	27 000
Other toilet provisions (< min.service level)		–	–	–	–	–	–	–	–	–
No toilet provisions		1 000	1 000	–	1 000	1 000	1 000	1 000	1 000	1 000
Below Minimum Service Level sub-total		28 000	28 000	–	28 000	28 000	28 000	28 000	28 000	28 000
Total number of households	5	47 000	47 000	–	47 000	47 000	47 000	47 000	47 000	47 000
Energy:										
Electricity (at least min.service level)		–	200	–	200	200	200	200	200	200
Electricity - prepaid (min.service level)		–	18 683	–	22 346	22 346	22 346	22 346	22 346	22 346
Minimum Service Level and Above sub-total		–	18 883	–	22 546	22 546	22 546	22 546	22 546	22 546
Electricity (< min.service level)		–	–	–	4 155 000	4 155 000	–	–	–	–
Electricity - prepaid (< min. service level)		–	–	–	–	–	–	–	–	–
Other energy sources		–	3 000	–	6 000	6 000	6 000	6 000	6 000	6 000
Below Minimum Service Level sub-total		–	3 000	–	4 161 000	4 161 000	6 000	6 000	6 000	6 000
Total number of households	5	–	21 883	–	4 183 546	4 183 546	28 546	28 546	28 546	28 546
Refuse:										
Removed at least once a week		7 665	8 365	–	14 597	14 597	14 597	14 597	14 597	14 597
Minimum Service Level and Above sub-total		7 665	8 365	–	14 597	14 597	14 597	14 597	14 597	14 597
Removed less frequently than once a week		3 258	3 358	–	7 488	7 488	7 488	7 488	7 488	7 488
Using communal refuse dump		383	625	–	56 695	56 695	56 695	56 695	56 695	56 695
Using own refuse dump		161 152	161 152	–	103 317	103 317	103 317	103 317	103 317	103 317
Other rubbish disposal		–	1	–	3	3	3	3	3	3
No rubbish disposal		19 162	66 809	–	58 210	58 210	58 210	58 210	58 210	58 210
Below Minimum Service Level sub-total		183 955	231 945	–	225 713	225 713	225 713	225 713	225 713	225 713
Total number of households	5	191 620	240 310	–	240 310	240 310	240 310	240 310	240 310	240 310
Highest level of free service provided per household										
Property rates (R value threshold)		15	15	15	15	15	15	15	15	15
Water (kilolitres per household per month)										
Sanitation (kilolitres per household per month)										
Sanitation (Rand per household per month)										
Electricity (kwh per household per month)				4 155 000	4 155 000	4 155 000	4 155 000	4 155 000	4 155 000	4 155 000
Refuse (average litres per week)										
Revenue cost of subsidised services provided (R'000)	9									
Property rates (tariff adjustment) (impermissible values per section 17 of MPRA)		15	15	15	15	15	15	15	15	15
Property rates exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA)		–	–	–	–	–	–	–	–	–
Other										

Total revenue cost of subsidised services provided	15	15	15	15	15	15	15	15	15
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PART 2 – SUPPORTING DOCUMENTATION

Section 5 – Overview of annual budget process

Annual Planning Process

Budget planning follows a number of processes to enable us to achieve the final position. The starting point is obviously the IDP and it should be noted that this is the first IDP of the current IDP cycle.

The operating draft budget for 2017/18 has been driven totally on the premise of consumer affordability, as the municipality has a number of indigents. This budget was compiled based on the strategic meeting held after the appraisal of the first six months performance of the 2015/16 financial year, and was presented to the Executive Mayoral Committee this year regarding the rate and tariff increases

This budget has concentrated on delivering previously agreed priorities and projects and completing and implementing these timeously. There is therefore little that is new in the process.

Budget Process 2017/18

The budget process followed the requirements of the MFMA. The budget timetable and major deadlines as approved by the Mayor in terms of section 21(1) (b) of the MFMA were followed,

A schedule of key deadlines was prepared for tabling in Council by the Mayor prior to the end of August 2015, which the draft annual budget will be tabled by 31 March 2016; section 24 MFMA; however Circular 78 and 79 gave guidance to municipalities in preparation of the draft.

Section 6 – Overview of alignment of the annual budget with the Integrated Development Plan

Introduction

Municipalities are required to develop five year Integrated Development Plans which must be reviewed annually. It is also required that such plans must find expression in the budget. The IDP and Budget are inter-related documents. The IDP is the budget in words, just as the budget is IDP in figures. In the past years comprehensive efforts have been made towards ensuring that the two documents are closely link.

Umzimvubu's vision: To be the best run Municipality in South Africa

Uzimvubu's mission: To properly plan and deliver quality and sustainable services to improve the socio-economic status within the broader Umzimvubu community

Key challenges facing Umzimvubu

1. Sustainable Infrastructure

The rapid growth of the municipality has put a lot of pressure on the areas' infrastructure. Infrastructural needs are growing at an unprecedented rate which the municipality is struggling to match.

2. The challenge of promoting Local Economic Development

The need for the diversification of local economy through facilitation the emergency of previous underperforming sectors is an important catalyst for economic development. Our Local Economic Development strategy focuses on mainstreaming the previously disadvantage people. Crucial to this will be the need to work in partnership with relevant stakeholders in boosting employment and fostering SMMEs. The municipality hosts number of events which are to enhance tourism and also improve quality of the SMMEs.

3. The challenge of ensuring municipal viability

The municipality lives and dies by its ability to balance needs with resources. Umzimvubu cannot generate sufficient resources to properly satisfy all needs. Therefore those needs will have to be managed and dealt with in a financially sustainable manner.

4. The challenge of municipal transformation and institutional development

Staff development is a crucial to meet the challenges of Umzimvubu. The Employment Equity imperatives have to be assessed continual to ensure the Umzimvubu Municipality's transformation agenda of South Africa.

5. Public Participation

Public Participation is an important feature of any democratic environment. Although the legislative environment provides adequately for public participation, Umzimvubu Municipality is a challenged to ensure that it continues to build on its successes over the last few years

Section 7 – Measurable performance objectives and indicators

The list below are financial indicators and ratios:

- Borrowing management
- Safety of capital
- Liquidity
- Debtors' and creditors' management
- Mix of expenditure types
- Mix of revenue sources
- Unaccounted for losses in respect of services rendered

It is not the intention to go through each of the various indicators etc., but merely to highlight the fact that National Treasury now has the ability to monitor a budget with a cursory glance. These indicators are taken in conjunction with specifically to afford National Treasury the ability to monitor and take reasoned view on financial position of a municipality and in so doing them can either support the Council's approval of the budget.

Challenges

The challenges, as mentioned, are for capital funding to provide the additional community facilities and access roads to meet the growth of Umzimvubu and its infrastructure.

Grant funding is used and also portion of equitable share, the management is seeking funding in all avenue to have infrastructure as to pave a way for Local Economic Development, as LED is the priority of the municipality

Section 8 – Overview of budget related policies

The detailed policies themselves are not included in this section of the budget documentation

Policies are also available at the Council offices in 813 Main Street for viewing as well as on the internet at www.umzimvubu.gov.za. This section gives a broad overview of the budget policy framework and highlights the amended policies to be approved by Council resolution

Section 9 – Overview of budget assumptions

Introduction

Budget Assumption

Budgets are prepared in an environment of uncertainty. To prepare meaningful budgets, assumption need to be made about internal and external factors that influence the budget. The section provides a comprehensive summary of the assumptions used in preparing the budget.

The budget is premised on a 80% payment level. This is in line with all our trends in the last 18 months and reflects similar outcome as at June 2016. This is below as compared to the outcomes of previous years.

External factors (population migration, employment, etc)

Over the recent years Umzimvubu has experienced rapid population growth although the census report states that there is a decrease. This must be seen as against the backdrop of developable land, a sensitive environment and a lack of new jobs being created in the local economy. This presents a serious challenge to Council to improve the efficiency of its systems. The fact is that the population is growing faster and we have limited resources for service delivery and unemployment demands.

General inflation outlook and its impact on the municipal activities

The headline CPI forecast for 2016, 2017 and 2018 are 6%, 5.5% and 5.5% respectively. The growth parameters apply to tariff increases for property rates, user and charges raised by municipalities; this is to ensure that all spheres of government support the national macroeconomic policies. Any increase that is above the forecast must be fully communicated to the community.

Rates, tariffs, charges and timing of revenue collection

	Budget 2017/18 R '000	Indicative 2018/19 R '000	Indicative 2019/20 R '000
Rate	15,000	16,822	17,797
Refuse	2,200	2,242	2,373

Collection rates for each revenue source and customer type

The Municipality has in place a fair rigorous credit control policy and has not been implement fully. Furthermore, its policy on indigent support and social rebates means that many households who

would normally struggle to pay their accounts receive free or subsidised basic services thereby keeping them free of the municipal debt.

It is a fact that there will always be an element of the total amount billed that will remain uncollected. The municipality is the same as any other business in this regard. Provision has to be made in the budget for any bad debts based on assumptions on collection rates

	Budget 2017/18 R '000	Indicative 2018/19 R '000	Indicative 2019/20 R '000
Provision for bad debts	5,000	5,500	5,932
Table A4: Debt impairment			

Trends in demand for free or subsidised basic services

Umzimvubu's criteria for supporting free or subsidised basic services are set out in the indigent support policy. The Government allocates revenue via the Division of Revenue Act (DORA) in the form of Equitable Share Grant with the primary aim of assisting municipalities with the costs of providing free or subsidised basic services. Any costs over and above the equitable share are met by the Municipality.

	Budget 2017/18 R '000	Indicative 2018/19 R '000	Indicative 2019/20 R '000
Cost of free basic services	3,000	3,174	3,358
Revenue cost of free services and all other rebate provided	1,700	1,693	1,791

Impact of national, provincial and local policies

Umzimvubu sees itself as working in partnership with national, provincial and district municipality spheres of Government in meeting the priority service needs of its people

Section 10 – Overview of budget funding

Funding the Budget

Section 18(1) of the MFMA states that an annual budget may only be funded from:

- Realistically anticipated revenues to be collected
- Cash backed accumulated funds from previous years' surpluses not committed for other purposes; and
- Borrowed funds, but only for the capital budget referred to in section 17

Achievement of this requirement in totality effectively means that a Council has 'balance' its budget by ensuring that budgeted outflows will be offset by a combination of inflows. Refer to Section 4 and 'Supporting Table SA10: Funding measurement'

Fiscal Overview of Umzimvubu Municipality

There is a high level of compliance with the Municipal Finance Management Act and other legislation directly affecting financial management for the past three years the municipality received an unqualified audit opinion from Auditor General. Umzimvubu municipality cannot afford salaries that are prerequisite to GRAP. There is already a lack of qualified accountants in South Africa and the complexities that are GRAP in local government are such that in rural municipalities it is highly unlikely that qualified accountants are going to work at the salaries on offer internally

and Umzimvubu , however with the little we have we striving to achieve the clean administration by COGTA.

Long term financial planning

The moderate growth of Umzimvubu coupled with the migration of people to the area has increased service delivery challenges for municipality. Financial management and budget planning is sound, but it has to managed within narrow financial parameters given the challenges and limited financial resources. Umzimvubu municipality is funding its capital expenditure by grants and a very small portion internal funding, however the municipality has managed to secure a DBSA loan for electricity generation.

Section 11 - Expenditure on allocations and grant programmes

Disclosure on expenditure on allocation and grant programmes is done by way of Annexure, "Supporting Table SA18: Transfers and grants receipts, Supporting Table SA19: Expenditure on transfers and grant programme and Supporting Table SA20: Reconciliation of transfers, grant receipts and unspent funds"

Expenditure for each grant for 2017/18 to 2019/20 is summarised in the table below. Note that the expenditures include the Vat portion that is recognised

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
RECEIPTS:	1, 2									
<u>Operating Transfers and Grants</u>										
National Government:		121 444	140 294	174 034	166 243	166 243	166 243	179 473	190 062	201 085
Local Government Equitable Share		117 834	136 167	169 767	162 992	162 992	162 992	175 236	185 575	196 338
Finance Management		1 500	1 600	1 600	1 625	1 625	1 625	1 700	1 800	1 905
Municipal Systems Improvement		890	934	930	–	–	–			
EPWP Incentive		1 220	1 593	1 737	1 626	1 626	1 626	2 537	2 687	2 843
Other grant providers:		–	–	250	250	250	250	–	–	–
Library subsidy				250	250	250	250			
Total Operating Transfers and Grants	5	121 444	140 294	174 284	166 493	166 493	166 493	179 723	190 062	201 085
<u>Capital Transfers and Grants</u>										
National Government:		60 066	68 294	78 277	59 261	69 461	69 461	80 190	80 114	84 761
Municipal Infrastructure Grant (MIG)		40 066	43 294	45 277	44 261	51 961	51 961	47 190	50 114	53 021
Integrated National Electrification Programme		20 000	25 000	33 000	15 000	17 500	17 500	33 000	30 000	31 740
Total Capital Transfers and Grants	5	60 066	68 294	78 277	59 261	69 461	69 461	80 190	80 114	84 761
TOTAL RECEIPTS OF TRANSFERS & GRANTS		181 510	208 588	252 561	225 754	235 954	235 954	259 913	270 176	285 846

Section 12 - Allocations and grants made by the Municipality

Any allocation made to an outside body must comply with the requirements of section 67 of MFMA. This stipulates that before transferring funds to an outside organisation the Municipal Manager, as Accounting Officer, must be satisfied that the organisation or body has the capacity to comply with the agreement and has adequate financial management and other systems in place

Revenue cost of rebates given	Budget 2017/18 R'000	Indicative 2018/19 R'000	Indicative 2019/20 R'000
Indigent Support	1,700	1,693	1,791

Section 13 – Councillor Allowances and employee benefits

‘Supporting table SA22: Summary councillor and staff benefits and ‘Supporting Table SA23: Salaries, allowances and benefits (political office bearers/ councillors/senior managers).

Umzimvubu municipality’s councillors’ allowances are paid at a grade 3, and an increment of 7% has been effected on this 2016/17 budget. The budget for councillors’ allowances has increased as the number of councillors has increased from 54 to 65 because of the incorporation of Traditional leaders.

Umzimvubu has employed 240 employees in order to carry out service delivery and 6 vacancies created by this draft budget. The municipality is fully implementing the outcomes of job evaluation which started on the 1 July 2014,

Section 14 – Monthly targets for revenue, expenditure and cash flow

Disclosure on monthly targets for revenue, expenditure and cash flow in the following Supporting Tables

Monthly operating budget revenue and expenditure projections

‘Table SA25: Budgeted monthly revenue and expenditure’ reflects consolidated projections of revenue by source and expenditure by type for the budget year broken down for the budget year, and shown in total for the following two years

‘Table SA26: Budgeted monthly revenue and expenditure (municipal vote)’ and ‘Table SA27 Budgeted monthly revenue and expenditure (standard classification)’ reflect revenue and expenditure broken down per month for the budget year, and shown in total for the following two years.

Monthly capital budget revenue and expenditure projections

‘Table SA28: Budgeted monthly capital expenditure (municipal vote)’ and ‘Table SA29: Budgeted monthly capital expenditure (standard classification)’ shows capital expenditure broken down per month for the budget year, and shown in total for the following two years

Monthly cash flow projections

‘Table SA30: Budgeted monthly cash flow’ set up receipts by source or payments by type both operating and capital, broken down per month for budget year, and shown in total for the following two years

Section 15 – Annual budgets and service delivery and budget implementation plans – internal departments

Adoption of the Service Delivery and Budget Implementation Plan

In terms of section 53(1)(c)(ii) of the MFMA and the Service Delivery and Budget Implementation Plan must be approved by the Mayor within 28 days after the final approval of the budget.

Contents of the SDBIP

The SDBIP must contain monthly projections of income and expenditure and quarterly projections of measurable performance objectives.

SDBIP requirements

The SDBIP is essentially a business plan and is an integral part of the financial planning process. Although its approval is required after the budget, its preparation occurs in tandem with the budget process. The SDBIP is the connection between strategic planning, IDP, budget and management performance agreements, and includes detailed information on how the budget will be implemented, by means of forecast cash flows and service delivery targets and performance indicators.

National and Provincial Government refer to five national KPAs they regard as essential to Local Authorities meeting their responsibilities these are:

1. Institutional Development and Transformation
2. Municipal Financial Viability and Management
3. Good Governance and Public Participation
4. Basic Service Delivery
5. Local Economic Development

Section 16 – Annual budgets and service delivery agreements – municipal entities and other external mechanisms

‘Table SA31 municipal entities’ the table shows that the municipality doesn’t have entities

Table SA32: List of external mechanism’ the municipality doesn’t have service delivery contracts.

Section 17 - Contracts having future budgetary implications

‘Supporting Table SA: Contract having future budgetary implications’ Annexure 2 discloses all contracts which will impose financial obligations on the municipality beyond the three years covered in the annual budget. Since Umzimvubu falls in a category of municipalities with approved revenue of R300million, have no contracts beyond the three years covered in the annual budget.

Section 18 – Capital expenditure details

Capital details are shown in the Annexure....

- 'Supporting Table SA6: Reconciliation of IDP strategic objectives and budget (capital expenditure)
- 'Supporting Table SA34a: Capital expenditure on new assets by asset class'
- 'Supporting Table SA34b: Capital expenditure on the renewal of existing assets by asset class'
- 'Supporting Table SA24c Repairs and maintenance expenditure by asset class'
- 'Supporting Table SA36: Detailed capital budget'

Section 19 – Legislation compliance status

The disclosure on legislation compliance must provide a brief summary of the status of the implementation of legislation applicable to municipalities including the progress made or delays experienced in implementation

Municipal Finance Management Act – No 56 of 2003

The MFMA became effective on 1st July 2004. The Act modernises budget and financial management practises within the overall objective of maximising the capacity of municipalities to deliver services.

The MFMA covers all aspects of municipal finance including budgeting, supply chain management and financial reporting.

The various sections of the Act are phased in according designated financial management capacity of municipalities. Umzimvubu has been designated as medium capacity municipality. The MFMA the foundation of municipal financial management reforms which municipalities are implementing.

The MFMA and the budget

The following explains the budgeting process in terms of the requirement in the MFMA. It is based on the National Treasury Budget Regulations.

The budget preparation process

The mayor must lead the budget preparation process through a coordinated cycle of events that commences at least ten months before the start of each financial year.

Overview

The MFMA requires a Council to adopt three-year capital and operating budgets that take into account, are linked to, the municipality's current and future development priorities and other finance related policies (such as those relating to free basic provision)

These budget must clearly set out revenue by source and expenditure by vote over three years and must be accompanied by performance objectives for revenue and expenditure, a cash flow,

particulars of borrowings, investments, municipal entities, services delivery agreements, grants allocations and employment costs.

The budget must be funded only from reasonable estimates of revenue and cash backed surplus funds from previous year and borrowing (the borrowings are only for capital items)

Budget preparation timetable

The budget preparation time table is prepared by senior management and tabled by Mayor for council adoption on 31 August (ten months before the commencement of the next budget year)

Budget preparation and review of IDP and policy

The Mayor must co-ordinate the budget preparation process and the review of Council's IDP and budget related policy, with the assistance of the municipal manager.

The Mayor must ensure that the IDP review forms and integral part of the budget process and that any changes to strategic priorities as contained in the IDP have realistic projections of revenue and expenditure. In developing the budget, the management has to take account the National and Provincial, the National fiscal and macro-economic policy. The Mayor must consult with the district Council and all other local municipalities within the district as well as the relevant provincial treasury and other government departments.

Tabling of the draft budget

The initial draft budget must be tabled by the Mayor before Council for review by 31 March.

Publication of the draft budget

One tabled at council, the Municipal Manager must make public the appropriate budget documentation and submit it with National Treasury, the relevant Provincial Treasury. And other departments as required. At this time, the local community must be invited to submit representations on what is contained in the budget.

Opportunity to comment on the draft budget

When the draft is tabled, Council must consider the views of local community, NT,PT other municipalities and government department that may have made submission on the budget.

Opportunity for the revision to draft budget

After considering all views and submissions, Council must provide an opportunity for the Mayor to respond to the submissions received and if necessary to revise the budget and table amendments for Council consideration.

Following the tabling of draft budget at the end of March, the months of April and May should be used to accommodate public and government comment and make any revision that may be necessary. This may take form of public hearing, Council debates, formal and informal delegations to the National treasury, provincial treasury and other municipalities, or any other consultative forums designed to address stakeholders priorities

Adoption of the annual budget

Council must consider the approval of the budget thirty day before the start of the budget year.

BUDGET IMPLEMENTATION

Implementation management – the Service Delivery and Budget Implementation Plan (SDBIP)

The Municipal Manager must within 14 days of the approval of annual budget submit to the Mayor for approval draft SDBIP and draft annual performance agreements for all pertinent senior staff. An SDBIP is a detailed plan for implementing the delivery of municipal services contemplated in the annual budget and should indicate monthly revenue and expenditure projections and quarterly services delivery targets and performance indicators. Mayor must approve the draft SDBIP within 28 days of the approval of annual budget (by 28 July at the latest)

This plan must then be monitored and reported by the Mayor to council on a regular basis.

Managing then implementation process

The municipal manager is responsible for the implementation the budget and must take steps to ensure that all spending in accordance with the budget and that revenue and expenditure is properly monitored.

Variation from budget estimates

Generally, Council may incur expenditure only if it's in terms of the approved budget, within the limits of the amount amounts appropriated against each vote – and in case of capital expenditure, only if council has approved the project. Expenditure incurred outside of the above parameters may be considered to be unauthorised or, in some cases, irregular or fruitless or wasteful. Unauthorised expenditure must be reported and may result in criminal proceedings.

Revision of budget estimates – adjustment budget

It may be necessary on occasion for council to consider a revision of its original budget, owing to material and significant changes in revenue collections, expenditure patterns, or forecast thereof for the remainder of the financial year. In such cases the municipality may adopt an adjustment budget, prepared by the municipal manager and submitted to the Mayor for consideration and tabling at a council for adoption. The adjustment budget must contain certain prescribed information, it may not result in further increases in taxes and tariffs and it must contain certain appropriate justifications and supporting material when approved by council.

Requirements of MFMA relating to annual budget and supporting documentation

Section 17 of the MFMA stipulates that annual budget of the municipality must be a schedule in prescribed format and sets out what must be included in that format. The various tables detailed in Section 4 and those additionally attached comply with the requirements

Other Legislation

In addition to the MFMA, the following legislation also influences Municipality's budgeting;

The Division of Revenue Bill 2017 and Provincial Budget Announcements

Three year national allocation to local government are published per municipality each year in the Division of Revenue Act. The Act place duties on municipalities in additions to requirements of MFMA, specifically with regard to reporting obligations.

Allocations to municipality from Provincial Treasury are announced and published in the Provincial budget

Section 18 of the MFMA states that annual budgets may only be funded from reasonable anticipated revenues to be collected. The provision in the budget for allocation from National and Provincial Government should reflect the allocations announced or published in the DORA or in the relevant Provincial Gazette.

The Municipal Systems Act – No 32 of 2000 and Municipal Systems Amendment Act – No 44 of 2003

One of the key objectives of the MSA is to ensure financially and economically viable communities. The requirement of the Act link closely to those of MFMA. In particular, the following requirements need to be taken to consideration in the budget process;

- Chapter 4 and 5 relating to community participation and the requirements for the Integrated Development Plan process.
- Chapter 6 relates to performance management which links with the requirements for the budget to contain measurable performance objectives and quarterly performance targets in the Service Delivery and Budget Implementation Plan.
- Chapter 8 relates to the requirement to produce a tariff policy

Section 20 – Other supporting documents

Various supporting documents are attached to enable the reader a full understanding of various processes involved. These are the following:

Annexure 1 – Main Budget Tables

Tables A1 to A10

Annexure 2 – Supporting Budgets Tables

Supporting Tables SA1 to SA37

Annexure 3 – Tariffs, Charges and Fees for 2017/18

Annexure 4

Municipal Budget Circular for the 2017/18 MTREF – MFMA Circular 85

Annexure 5

Process Plan 2018/19

Annexure 6 – Budget Related Policies